

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
June 30, 2009

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Northwest Tennessee Regional Port Authority

We have audited the accompanying financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

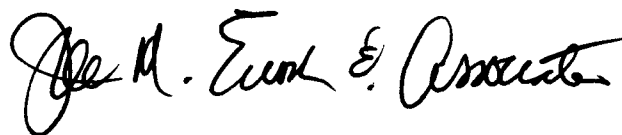
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 9, 2009 on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Dyersburg, Tennessee
November 9, 2009



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2009

The Northwest Tennessee Regional Port Authority (NTRPA) is a regional public authority, chartered with the State of Tennessee by the counties of Lake, Dyer, and Obion. NTRPA is governed by an eight person board, consisting of (4) members appointed by the legislative body of Lake County, (2) members appointed by the legislative body of Dyer County, and (2) members appointed by the legislative body of Obion County. Its purpose is to administrate the financial and developmental needs of the Cates Landing port and industrial park.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of NTRPA's financial activity, (c) identify any financial concerns. The Management Discussion and Analysis (MD&A) focuses primarily on the business activities for the fiscal year ending June 30, 2009. A condensed format of the Statement of Net Assets as well as the Statement of Revenues, Expenses, and Changes in Net Assets is included in the MD&A for reference purposes. The MD&A should be read in conjunction with the full comprehensive NTRPA financial statements.

Background

Lake County, Dyer County, and Obion County lacked the necessary infrastructure to attract industry to their economically depressed areas. To create jobs in this region, county officials focused on the proximity of the Mississippi River. After years of strategic planning, the leaders proposed the development, construction, and operation of a port on the Mississippi River in Lake County. The port and industrial park are expected to be an economic development tool to attract business and industry to the three-county region. To that extent, the Northwest Tennessee Regional Port Authority was created. After site selection, a Master Plan and Engineering Study were completed, and land acquisitions for the harbor and port/industrial park were started. A small amount of private donations were used to initiate beginning operations for the NTRPA.

Statement of Net Assets

NTRPA has current assets of cash in the amount of \$473,824. Of that amount, \$439,872 is in the general fund, \$32,714 is set aside for Labor & Operations. Lake County is refunding the legal fees associated with the industrial park and half of the legal cost incurred due to land owner lawsuits. The \$42,384 in accounts receivable reflects the \$4,884 in legal fees being refunded by Lake County but not received as of June 30. It also contains \$37,500 of grant money that will be awarded in July 2009. The cost of on-going engineering and legal work will be designated to specific capital assets upon completion of the projects and continues to be reflected in Construction in Progress. The current year Construction in Progress is less than the previous year due to the return of \$100,000 from \$3,612,000 that was previously paid to the Corps of Engineers for the harbor dredge work contract. The accrued interest payable reflects the interest payment to be paid on the \$2.2 million bond issue by the Port Authority and guaranteed by the county governments of Lake, Dyer and Obion counties. Interest payments will be made by the counties and repaid by the Port Authority when it is operational and generating the appropriate revenues. NTRPA also accepted a 12 month loan for \$250,000 from First

Citizens National Bank in anticipation of receiving further operational grants. The \$250,000 and current year payments for the Gibson EMC loan make up the rest of current liabilities. The previous year First Citizens loan of \$514,000 was paid in December 2008 with the proceeds of a HUD grant. The remaining balance of the Gibson EMC loan is listed in Notes Payable under Long-term Liabilities. The \$193,637 in the County Bond Interest and Loan re-pay is for the bond interest payments and loan payments that were due during the fiscal year and paid by Lake, Dyer, and Obion counties.

Net assets represent the difference between assets and liabilities. The increase in Net Assets reflects the net income of the fiscal year. Net Assets contain the amount invested in Capital Assets minus the related debt, plus the amount of Restricted Net Assets, and plus the amount of Unrestricted Net Assets.

Statement of Net Assets
June 30, 2009 (Condensed)

	<u>Assets</u>	2009	2008
<u>Current Assets</u>			
Cash in Bank		\$ 473,824	\$ 330,689
Accounts Receivable		42,384	9,423
		<u>516,208</u>	<u>340,112</u>
<u>Capital Assets</u>			
Land		1,773,375	1,771,694
Construction in Progress		5,164,998	4,989,420
		<u>6,938,373</u>	<u>6,761,114</u>
<u>Other Assets</u>			
Unamortized Debt Expense		<u>9,900</u>	<u>13,500</u>
Total Assets		<u>\$ 7,464,481</u>	<u>\$ 7,114,726</u>
<u>Liabilities & Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable		\$ 93,481	\$ 13,614
Accrued Interest Payable		27,124	22,825
Notes Payable - current		301,335	514,000
		<u>421,940</u>	<u>550,439</u>
<u>Long-term Liabilities</u>			
Notes Payable		341,667	410,000
County Bond Interest & Loan re-pay		193,637	89,525
Bonds Payable		2,200,000	2,200,000
Less: Bond discount		(10,830)	(14,767)
		<u>2,724,474</u>	<u>2,684,758</u>
Total Liabilities		3,146,414	3,235,196
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt		3,922,464	3,575,857
Unrestricted Net Assets		395,603	303,673
		<u>4,318,067</u>	<u>3,879,530</u>
Total Liabilities & Net Assets		<u>\$ 7,464,481</u>	<u>\$ 7,114,726</u>

Statement of Revenues, Expenses, and Changes in Net Assets

NTRPA currently operates without producing Operating Revenue. During the previous years the board entered into a Management Contract arrangement with Maurice Owen to oversee the continuing development, marketing, and start-up operations of the port. Maurice was employed by Associated Terminals, LLC a company that provides port operations at multiple ports on the Mississippi river. This arrangement ended as of September 2009, and reflects \$89,000 of operational expenses during the fiscal year. Other operational expenses continue to be limited to insurance, professional administrative assistance, and association membership dues. Grant revenue consists of funds from federal grants that were issued to the NWTRPA. In fiscal 2009, NWTRPA received developmental grants of \$514,500 and \$37,500. Other contributed funds consist of the repayment of legal fees for work on the Industrial Park and land acquisition lawsuit from Lake County. The \$3,087 of interest was earned on the funds deposited.

Statement of Revenues, Expenses, and Changes in Net Assets

June 30, 2009 (Condensed)

<u>Operating Revenue</u>	2009	2008
Operating Income	\$ -	\$ -
Total Operating Revenue	-	-
<u>Operating Expenses</u>		
Operational Expenses	118,740	165,755
Total Expenditures	118,740	165,755
Non-operating Revenues and (Expenses)		
Grant Revenue	552,000	2,177,316
Other revenue	2,190	26,129
Interest Earned on Deposits	3,087	15,762
Total Non-operating Revenue	557,277	2,219,207
Increase (Decrease) in Net Assets	438,537	2,053,452
Net Assets - Beginning	3,879,530	1,826,078
Net Assets - Ending	<u>\$ 4,318,067</u>	<u>\$ 3,879,530</u>

Operational Highlights

The dredge arrived at the harbor in October 2008 and initial dredge work on the harbor is completed. Bank shaping and the lay of rip-rap began during low water this fall. This work is about 60% complete but has been halted due to high water from recent rainfall. NTRPA has applied to the Federal Department of Transportation for a \$35 million TIGER GRANT to complete the port, industrial park, and connect both with the railroad. NTRPA will know in January or February of 2010, the amount of the grant request awarded. The TIGER GRANT is a part of the Federal stimulus program designed to promote intermodal projects in economically depressed areas. We have received a TDOT grant for \$250,000 for design engineering and preparing bid packages, for the work to complete the project. If the TIGER GRANT is awarded in January 2010, NTRPA should be operational by July 2011. NTRPA is currently in discussions with Cooper/T. Smith Corporation to be the port operators. The Federal lawsuit against NTRPA and Lake County has been dismissed.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

Current Assets

Cash in bank	\$ 473,824	
Grant receivable	37,500	
Due from county governments	4,884	
Total Current Assets		\$ 516,208

Capital Assets

Land	1,773,375	
Construction in progress	5,164,998	
Net capital assets		6,938,373

Other Assets

Unamortized debt expense		9,900
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TOTAL ASSETS		<u>\$ 7,464,481</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 93,481	
Accrued interest payable	27,124	
Notes payable - current	301,335	
Total Current Liabilities		\$ 421,940

Long-term Liabilities

Notes payable	341,667	
Due to county governments	193,637	
Bonds payable	2,200,000	
Less: Bond discount	(10,830)	
Total Long-term Liabilities		2,724,474

TOTAL LIABILITIES		<u>3,146,414</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	3,922,464	
Unrestricted Net Assets	395,603	
TOTAL NET ASSETS		<u>4,318,067</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 7,464,481</u>
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See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ending June 30, 2009

<u>Operating Expenses</u>	
Administrative expenses	\$ 94,635
General insurance	10,000
Miscellaneous expenses	1,000
Professional Services	5,567
Amortization expense	7,538
Total Operating Expenses	<u>118,740</u>
Net Operating Income (Loss)	<u>(118,740)</u>
<u>Nonoperating Revenue</u>	
Grant revenue - federal funds	552,000
Other revenue	2,190
Interest earned on deposits	3,087
Total Nonoperating Revenue	<u>557,277</u>
Increase (Decrease) in Net Assets	438,537
Net Assets - Beginning	<u>3,879,530</u>
Net Assets - Ending	<u>\$ 4,318,067</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2009

Cash Flows From Operating Activities

Payments to suppliers	\$ (110,590)
Net cash provided (used) by operating activities	<u>(110,590)</u>

Cash Flows From Capital and Related Financing Activities

Purchases of capital assets	(193,705)
Capitalized interest funded by county governments	104,112
Due from county governments on shared legal fees	4,539
Return of unused funds on prior year capital asset deposit	100,000
Principal payment on debt	(531,083)
Proceeds from capital debt	250,085
Grants received	514,500
Other contributions and revenue	2,190
Net cash provided (used) by capital and related financing activities	<u>250,638</u>

Cash Flows From Investing Activities

Interest received on deposits	<u>3,087</u>
Net cash provided (used) by investing activities	<u>3,087</u>

Net increase (decrease) in cash and cash equivalents 143,135

Balances - beginning of year 330,689

Balances - end of the year \$ 473,824

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Operating income (loss)	\$ (118,740)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization expense	7,538
Changes in assets and liabilities:	
Accounts payable	612
Net cash provided (used) by operating activities	<u><u>\$ (110,590)</u></u>

Noncash investing, capital and financing activities:

Purchase of capital assets on account	\$ 92,869
Capitalized interest, accrued	27,124

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note A - Significant Accounting Policies

Reporting Entity

The Northwest Tennessee Regional Port Authority (the Port Authority) was organized as a joint venture by the duly elected and constituted Legislative Bodies of Lake, Dyer and Obion Counties to construct and operate the port and harbor facilities at Cates Landing in northern Lake County. The Port Authority is a single entity and not a component of any other governmental unit. The Executive Officer of each county appoints its representatives to serve on the Port Authority's Board of Commissioners. The Board of Commissioners is made up of four representatives from Lake County and two each from Dyer and Obion County. The Board is responsible for the operation and management of the Port Authority. There are no other agencies or entities under the authority of the Board.

Basis of Accounting

The Port Authority maintains its books and records on a full accrual basis. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. The Port Authority's operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Port Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services with the Port Authority's principal ongoing operations. During the year ending June 30, 2009 the Port Authority was arranging for the financing of the project, gathering information on the feasibility and construction of the facilities and acquiring land. When the Port Authority is operational the principal operating revenues will be generated through user fees and lease agreements. Operating expenses will include administrative expenses, insurance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Port Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Although the Port Authority has the option to apply FASB pronouncements issued after that date, it has chosen not to do so.

Cash and Cash Equivalents

The Port Authority considers all temporary cash investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

State statutes authorize the Port Authority to invest in certificates of deposit at state and federal chartered banks, obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009

Note A - Significant Accounting Policies (Continued)

Capital Assets

The Port Authority is currently in the early stages of organization which consists principally of the construction of the harbor. As capital assets are placed in service the Port Authority will depreciate the assets on the straight-line basis over the estimated useful life of the asset acquired. The assets are categorized as follows:

<u>Asset</u>	<u>Depreciable Life</u>
Office Furniture and Fixtures	10
Buildings	40
Equipment and Tools	10
Transportation Equipment	5

Capital assets at June 30, 2008 include \$3,612,000 that was disbursed to the Corp of Engineers for the dredging of the port harbor and other capital expenditures. During the year ending June 30, 2009 the Corp of Engineers refunded \$100,000 in unused funds to the Port Authority.

Construction period interest, if applicable, is capitalized into the cost of appropriate fixed assets and then shown as a part of the carrying value of the capital assets. During the year ended June 30, 2009, the Port Authority incurred \$105,879 in construction period interest.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Note B – Economic Dependency

The Northwest Tennessee Regional Port Authority was organized to construct and operate the port and harbor facilities at Cates Landing in northern Lake County, Tennessee. The entity has relied on grants and other governmental contributions to provide the funds necessary to acquire land and perform preliminary activities for the construction of the project. The Port Authority expects the State of Tennessee to guarantee the debt financing.

The facility's future success will depend on its ability to attract industry to its neighboring industrial park and the services provided to river traffic in northern Lake County, Tennessee.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009

Note C - Insured Deposits

The Port Authority is mandated by law to require that the financial institutions in which it maintains deposits to pledge securities to insure deposits over \$250,000. At June 30, 2009 the Port Authority's carrying amount of deposits was \$473,824 and the bank balance was \$473,824. Of the bank balance, \$250,000 was covered by federal depository insurance and \$223,824 was covered through the State of Tennessee Bank Collateral Pool.

Note D - Risk Management

The Port Authority manages the various types of risk through the use of commercial insurance. The Port Authority insures against the risk of loss of property and misappropriation of funds. There were no settlements in excess of insurance coverage in any of the past three years.

Note E - Net Working Capital

The net working capital of the Port Authority was \$94,268 at June 30, 2009.

Note F - Schedule of Utility Plant

The following is a schedule of Northwest Tennessee Regional Port Authority's capital assets at June 30, 2009.

	<u>Balance</u> <u>6/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/09</u>
Capital assets, not being depreciated				
Land and land rights	\$ 1,771,694	\$ 1,681	\$ -	\$ 1,773,375
Construction in progress	4,989,420	275,578	100,000	5,164,998
Total assets, not being depreciated	<u>6,761,114</u>	<u>277,259</u>	<u>100,000</u>	<u>6,938,373</u>
Total capital assets, net	<u>\$ 6,761,114</u>	<u>\$ 277,259</u>	<u>\$ 100,000</u>	<u>\$ 6,938,373</u>

Capital assets at June 30, 2008 include \$3,612,000 that was disbursed to the Corp of Engineers for the dredging of the port harbor and other capital expenditures. During the year ending June 30, 2009 the Corp of Engineers refunded \$100,000 in unused funds to the Port Authority.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009

Note G – Long-Term Debt

During the year ending June 30, 2007 the Board of Commissioners authorized the issuance of the Port Authority Revenue and Tax Notes, Series 2007 for \$2,200,000. The bonds are for the purpose of land acquisition and capital improvements of the port. The bonds carry an interest rate of 4.15% and mature March 15, 2012.

During the year ending June 30, 2007 the Port Authority borrowed \$410,000 from the Gibson Electric Membership Corporation for economic development associated with the port. The loan is a non interest bearing loan to be repaid in ninety-six monthly installments of \$4,271 beginning April 5, 2009.

During the year ending June 30, 2008 the Port Authority borrowed \$514,000 from First Citizens National Bank. The loan was paid off in December 2008.

During the year ending June 30, 2009 the Port Authority borrowed \$250,085 from First Citizens National Bank. The loan matures on June 16, 2010 and bears interest at 3.75%.

The following is a summary of long-term debt transactions for the year ended June 30, 2009:

	Balance 6/30/08	Borrowings	Retirements	Balance 6/30/09
Revenue and tax notes	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Notes payable	924,000	250,085	531,083	643,002
	<u>\$ 3,124,000</u>	<u>\$ 250,085</u>	<u>\$ 531,083</u>	<u>\$ 2,843,002</u>

Principal and interest maturities for the next five years and thereafter are summarized as follows:

For Year(s) Ending June 30	Principle	Interest	Total
2010	\$ 301,335	\$ 100,678	\$ 402,013
2011	51,250	91,300	142,550
2012	2,251,250	91,300	2,342,550
2013	51,250		51,250
2014	51,250	-	51,250
2015-2019	136,667	-	136,667
	<u>\$ 2,843,002</u>	<u>\$ 283,278</u>	<u>\$ 3,126,280</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009

Note I - Fair Value of Financial Instruments

As discussed in the previous note, the Port Authority borrowed \$410,000 from Gibson Electric Membership Corporation with a no interest loan. The estimated fair value of the note based on an imputed interest rate of 4.15% is as follows:

	June 30, 2009	
	Carrying Amount	Estimated Fair Value
Long-term debt	<u>\$ 392,917</u>	<u>\$ 336,050</u>

Note J – Litigation

In a lawsuit filed with the United States District Court for Western Tennessee, Mrs. Anne Jonas was seeking an injunction to bar all further activities of the U.S. Corps of Engineers, the County of Lake and the Northwest Tennessee Regional Port Authority in connection with the construction and development of the Regional Port Authority. The Defendants named in the action are the Secretary of the Army, the U.S. Corps of Engineers, the Mayor of Lake County and the Chairman of the Northwest Tennessee Regional Port Authority. As of the date of the audit report, Lake County and the Port Authority had obtained a dismissal from the case.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Year Ending June 30, 2009

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2008</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2009</u>
<u>Federal Awards</u>						
U.S. Department of Housing and Urban Development	N/A	B-08-SP-TN-0662	\$ -	\$ 514,500	\$ 514,500	\$ -
USDA - Rural Development	10.769	N/A	-		37,500	(37,500)
				<u>\$ 514,500</u>	<u>\$ 552,000</u>	

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2009

Port Authority Revenue and Tax Notes, Series 2007

<u>Due For Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>Balance</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u> <u>Payment</u>
2010	\$ 2,200,000	\$ -	\$ 91,300	\$ 91,300
2011	2,200,000	-	91,300	91,300
2012	2,200,000	2,200,000	91,300	2,291,300
		<u>\$ 2,200,000</u>	<u>\$ 273,900</u>	<u>\$ 2,473,900</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2009

Note Payable - Gibson Electric Membership Corporation

<u>Due For Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>Balance</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u> <u>Payment</u>
2010	\$ 392,917	\$ 51,250	\$ -	\$ 51,250
2011	341,667	51,250	-	51,250
2012	290,417	51,250	-	51,250
2013	239,167	51,250	-	51,250
2014	187,917	51,250	-	51,250
2015	136,667	51,250	-	51,250
2016	85,417	51,250	-	51,250
2017	34,167	34,167	-	34,167
		<u>\$ 392,917</u>	<u>\$ -</u>	<u>\$ 392,917</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2009

Note Payable - First Citizens National Bank

<u>Due For Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>Balance</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u> <u>Payment</u>
2010	\$ 250,085	\$ 250,085	\$ 9,378	\$ 259,463
		<u>\$ 250,085</u>	<u>\$ 9,378</u>	<u>\$ 259,463</u>

See accompanying notes and accountant's report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Northwest Tennessee Regional Port Authority

We have audited the financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port Authority's financial statements that is more than inconsequential will not be prevented or detected by the Port Authority's internal control. We consider the deficiency described in the accompanying schedule of findings, recommendations and response as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port Authority's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

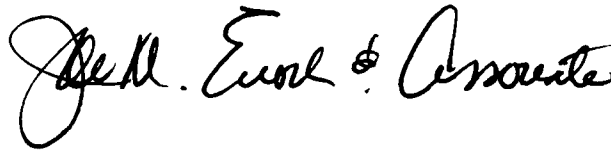
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and responses. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Dyersburg, Tennessee
November 9, 2009



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
June 30, 2009

Segregation of Duties

Finding 2009-1

The Port Authority is in the initial planning and construction phase of this project. The books and records are being maintained by the Chairman of the Board and therefore segregation of duties is not in place.

Recommendation

We recommend that the Port Authority make efforts to improve internal control, including oversight and review by the Board of Commissioners to mitigate the lack of controls.

Management Response

Management believes that the cost of hiring the personnel necessary to adequately segregate the accounting functions would exceed the benefits derived. However, management will take the appropriate steps to improve the system of internal control whenever it is feasible.

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority

Compliance

We have audited the compliance of the Northwest Tennessee Regional Port Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The Northwest Tennessee Regional Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Northwest Tennessee Regional Port Authority's management. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Port Authority's compliance with those requirements.

In our opinion, the Northwest Tennessee Regional Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Northwest Tennessee Regional Port Authority
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Internal Control Over Compliance

The management of the Northwest Tennessee Regional Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Northwest Tennessee Regional Port Authority's internal control over compliance with the requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dyersburg, Tennessee
November 9, 2009

